

Business Accountants for Business People

Spring Update 2018

We've now had the first modern Spring Statement from the Chancellor. And to be honest it didn't really set our hearts racing, as it was, as expected, primarily a response to the Office of Budget Responsibility economic forecasts.

Here, in our Spring Update, we take look at some of the changes to tax legislation that will come into effect with the advent of the upcoming tax year 2018/19 and some of the, few and far between, announcements made in the Spring Statement.

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| <p>Late payments consultation</p> | <p>The Chancellor announced a multitude of consultations to come, but the most pertinent for small businesses would have to be a consultation on how to end the scourge of late payments for firms.</p> <p>With some 50,000 companies closing down last year due to late payments, and the cashflow issues it brings, it's an important step to ensure a level playing field for all businesses.</p> |
| <p>Business rates revaluation</p> | <p>We've just come through our first revaluation for seven years in 2017, seeing large increases in rates payable for many businesses. To mitigate this the next will take place in 2021, with them pencilled in every three years moving forward.</p> |
| <p>Tax allowances and exemptions</p> | <p>Not only is the personal allowance going up for everyone by £350 to £11,850, the coming tax year sees an increase in the annual exemption from capital gains. This will sit at £11,700, up £400 from 2017/18.</p> |
| <p>Buy-to-let mortgage relief</p> | <p>As started in the tax year just completed, there will be a continuation in the reduction of relief available to buy-to-let landlords for interest repayments on their mortgages. The previous system allowed landlords to deduct all interest and other allowable costs before calculating their liability.</p> <p>This could mean that some landlords who currently enjoy a small net profit may, after tax, see negative cashflow as a result. By 2020, tax relief for finance costs will be restricted to the basic rate of income tax, currently at 20%.</p> |
| <p>Dividend allowance</p> | <p>The tapering down of dividend allowances continues apace with the amount at 40% of 2017/18. It will sit at £2,000. This could impact your position if you expect to extract profits from your company. Now, there are ways to manage this in a tax efficient manner, and one way means you can save tax twice, find out more here.</p> |

| <p>National Living Wage and National Minimum Wage</p> | <p>Previously the change in rate of the National Minimum Wage was in October, but now with the Autumn Budget in situ, the changes come into effect in line with the new tax year. Please see below for the current and incoming basic rates of NLW and NMW.</p> <table border="1" data-bbox="528 315 1394 835"> <thead> <tr> <th></th> <th>TY 2017/18</th> <th>TY 2018/2019</th> </tr> </thead> <tbody> <tr> <td>25 and over</td> <td>£7.50</td> <td>£7.83</td> </tr> <tr> <td>21 to 24</td> <td>£7.05</td> <td>£7.38</td> </tr> <tr> <td>18 to 20</td> <td>£5.60</td> <td>£5.90</td> </tr> <tr> <td>Under 18</td> <td>£4.05</td> <td>£4.20</td> </tr> <tr> <td>Apprentice</td> <td>£3.50</td> <td>£3.70</td> </tr> </tbody> </table> | | TY 2017/18 | TY 2018/2019 | 25 and over | £7.50 | £7.83 | 21 to 24 | £7.05 | £7.38 | 18 to 20 | £5.60 | £5.90 | Under 18 | £4.05 | £4.20 | Apprentice | £3.50 | £3.70 |
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| <p>Employer pension contributions</p> | <p>This year sees the minimum total contribution of qualifying earnings rise to 5%. This applies as a total of both the employer and employee contributions. If the employer is planning on maintaining the minimum contribution, up from 1% to 2%, the shortfall must be made up by the member of staff, 3%.</p> <p>If you are planning on rewarding your employees with a rate of 5%, they will not need to up or make a contribution.</p> | | | | | | | | | | | | | | | | | | |
| <p>Inheritance tax planning</p> | <p>While the total allowance for Inheritance Tax still remains solid at £325,000, the additional Residence Nil Rate Band (RNRB), which applies when a residence is passed to a direct descendent, is set at £125,000 for the coming tax year. And, just like your IHT allowance, it can be transferred to a surviving spouse or civil partner.</p> | | | | | | | | | | | | | | | | | | |
| <p>Consultations</p> | <p>In addition to the important late payment consultation, the Chancellor also announced the Treasury will consult on the following:</p> <ul style="list-style-type: none"> ▪ A tax on single use plastic – we wrote previously on the success of the plastic bag charge here ▪ Online sales VAT collection mechanism and how online marketplaces can help customers pay the right tax ▪ Non-agricultural red diesel tax relief and air quality ▪ Productivity schemes to assist poor performing businesses ▪ The future of cash and digital payments | | | | | | | | | | | | | | | | | | |

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